



Dr. Gail M. Morrison
Interim Executive Director

August 25, 2006

The Honorable Marshall C. Sanford, Governor
State of South Carolina
PO Box 11829
Columbia, South Carolina 29211

Re: FY 2007-08 Budget Request

Dear Governor Sanford:

In keeping with the Governor's Executive Budget Request, we have enclosed the **FY 2007-08 Budget Priorities for the Commission on Higher Education**. This information reflects the total of the Commission's requests and is contingent upon approval of the Commission's board at the September meeting. Please note that the Commission also submits a request on behalf of higher education institutions and has done so in a separate document.

Please phone me, Julie Carullo at 737-2292, or Jeff Richards at 737-2263 or with any questions you may have.

Sincerely,

Gail M. Morrison

Enclosure

cc: Julie Carullo, Acting Deputy / Director Governmental Affairs
Jeff Richards, Director of Operations

FISCAL YEAR 2007-08 BUDGET PLAN

I. EXECUTIVE SUMMARY

A. Agency Section/Code/Name: H03 / South Carolina Commission on Higher Education

B. Statewide Mission:

The Commission on Higher Education (CHE) serves as South Carolina's coordinating board for the state's 33 public post-secondary institutions. The Commission has a dual role within state government, acting both as an advocate for higher education as well as an oversight entity on behalf of the General Assembly. The South Carolina Commission on Higher Education promotes quality and efficiency in the state system of higher education with the goal of fostering economic growth and human development in South Carolina. The Commission's values include: the importance of quality higher education; accessibility of higher education to the citizens of the state; accountability of the institutions to their students, the General Assembly, and the state's taxpayers; excellence on the part of CHE's staff in performing its functions; and excellence on the part of the institutions in providing education opportunities.

C. Summary Description of Strategic or Long-Term Goals:

The South Carolina Commission on Higher Education's goals are enumerated in the 2005-06 Agency Accountability Report to be submitted in September 2006 (see page 2 and sections I.3 and III.2). Key among the goals in light of the CHE's FY 2007-08 budget request are the following:

(1) to ensure effective and efficient delivery of services, (2) to ensure quality and diversity of academic programs and educational services in South Carolina; (3) to ensure access to and quality of educational opportunities among underrepresented groups in higher education in SC; (4) to expand postsecondary educational opportunities for South Carolinians; (5) to present the needs and develop support for appropriate funding of public colleges and universities and to address strategic issues in public and private higher education as they are identified; and (6) to make South Carolina a global leader by fostering higher education's role in economic growth and human development.

In developing the FY 2007-08 budget plan, the Commission is dedicated to addressing priorities to ensure the agency is able to fulfill successfully its mission and role and to carry out its goals. First, CHE is requesting funds to ensure effective service delivery by improving agency technology (\$130,000 increase in recurring funds) and to ensure quality academic programs (\$324,000 recurring funds to re-establish program review). Second, CHE is committed to ensuring that the Education and Economic Development Act of 2005 (EEDA) provisions are successfully carried out and is requesting funds to implement recommended technology to aid in seamless educational pathways as mandated by the EEDA (\$275,000 recurring funds for a web-based transfer/articulation and course equivalency evaluation systems). Third, CHE seeks funding to ensure access to and increased enrollment in higher education (\$600,000 in continued funding for GEAR UP; \$400,000 in increased recurring funds for the Access & Equity program; \$527,250 in increased recurring funds for SREB programs and services.)

D.

Summary of Operating Budget Priorities for FY 2007-08:		FUNDING					FTEs			
		State Non- Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.1a:	Title: Ensuring Effective Service Delivery and Quality Academic Programs – CHE Technology	0	\$130,000	0	0	\$130,000	0	0	0	0.00
Strategic Goal No. CHE Goal 1 in Item C Above; Activity Number 279, Administration										
Priority No. 1b:	Title: Ensuring Effective Service Delivery and Quality Academic Programs – CHE Academic Program Review	0	\$324,000	0	0	\$324,000	1.0	0	0	1.00
Strategic Goal No. CHE Goal 2 in Item C Above; Activity Number 279, Administration										
Priority No.: 2	Title: EEDA Implementation – Statewide Web-Based Transfer, Articulation and Course Evaluation System		\$275,000	0	0	\$275,000	0	0	0	0.00
Strategic Goal No. CHE Goals 4 & 5 in Item C Above; Activity Number 1690, EEDA Funding for CHE & Institutions										
Priority No.:3a	Title: Ensuring Access to and Increased Enrollment in Higher Education – GEAR UP	0	\$600,000	0	0	\$600,000	0	0	0	0.00
Strategic Goal No. CHE Goal 4 in Item C Above; Activity Number 288, Gear Up										

Summary of Operating Budget Priorities for FY 2007-08:		FUNDING					FTEs			
		State Non- Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.: 3b	Title: Ensuring Access to and Increased Enrollment in Higher Education – Access & Equity increasing underrepresented populations in healthcare	0	\$400,000	0	0	\$400,000	0	0	0	0.00
Strategic Goal No. CHE Goal 3 in Item C Above; Activity Number 285 Access and Equity										
Priority No.: 3c	Title: Ensuring Access to and Increased Enrollment in Higher Education – SREB Program and Services	0	\$527,250	0	0	\$527,250	0	0	0	0.00
Strategic Goal No. CHE Goals 2 & 3 in Item C Above; Activity Number 286 SREB Contractual Scholarships / 287 SREB Fees and Assessments										
TOTAL OF ALL PRIORITIES		0	\$2,256,250	\$ 0	\$ 0	\$2,256,250	1.00	0.00	0.00	0.00

E. Agency Recurring Base Appropriation:

State \$ 91,980,432
Federal\$ 5,946,880
Other \$ 9,475,792 (*does not include lottery*)

F. Efficiency Measures:

CHE continually strives to achieve greater efficiency, effectiveness and customer service improvements in fulfilling its legislated role and mission. Reductions in recent years in available resources coupled with increasing administrative responsibilities have presented challenges for CHE in fully fulfilling its mission. Staff has taken on increasingly disproportional workloads and the agency has experienced constraints on the ability to provide for appropriate technology support. CHE continues to look very critically at how functions are performed, and every

process is reviewed continuously for potential efficiencies. As examples of on-going efforts this past year to ensure needs are met, we continued to work to improve data delivery services for our customers and users and continued to focus on our role in accountability by completing institutional audits of scholarship programs and taking on increased workload arising from initiatives such as the EEDA and the Governor's Executive Order 2006-01 that created a task force to study higher education. While funding received in FY 2006-07 for staff positions for data management, facilities management and EEDA work will assist the agency in meeting its responsibilities, CHE cannot continue to absorb additional responsibilities or improve performance, particularly in those areas the Commission has identified as mission priority needs, without access to increased funding resources.

G. NOT APPLICABLE – No Capital Projects Requested

H. Number of Proviso Changes: 3

- 1) CHE is requesting an amendment to Proviso - 5A.3* (CHE Access and Equity Programs) to direct the requested additional program funding to a statewide initiative. See Agency Priority 3b.
- 2) CHE is requesting that Proviso 5A.22 (CHE Out-of-State Eligibility) be amended.
- 3) CHE is requesting a NEW Proviso (CHE: Teaching Scholarship Grants) in the event funding is restored for the Teaching Scholarship Grants Program.

**renumbered FY 2007-08 base, FY 2006-07 proviso numbers are 5A.4 and 5A.29 respectively*

I. Signature/Agency Contacts/Telephone Numbers:

Dr. Gail M. Morrison, CHE Interim Executive Director

Contacts:

Mr. Jeff Richards, jrichards@che.sc.gov 803.737.2263

Ms. Julie Carullo, jcarullo@che.sc.gov 803.737.2292

OTHER – CHE has submitted its request on behalf of higher education institutions in a separate document.

II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: H03 / South Carolina Commission on Higher Education

B. Priority No. 1 of 3

C. (1) Title: Ensuring Effective Service Delivery and Quality Academic Programs

(2) **Summary Description:** As an initiative, CHE is requesting \$454,000 in recurring funds to provide better data service delivery and to re-establish the agency's quality review program of academic programs at public institutions. The requested funds address two key agency needs including:

(a) **Technology Funding** - One of CHE's mission critical functions is the maintenance and support of a centralized statewide higher education data system necessary for state policy research, state and federal data requirements, and other data sharing needs of institutions and the public. In order to keep pace with changing technology and ensure continued quality data delivery, CHE needs additional on-going technology funding. Conservatively, CHE has determined \$130,000 in recurring technology funds will enable the agency to carry out its plan to make and maintain necessary system upgrades. The requested recurring funds will enable CHE to purchase necessary software and hardware, support continued maintenance costs, and allow for planned system improvements including improved data accessibility and the integration of the Palmetto Fellow application process with a planned transcript exchange program.

(b) **Academic Program Review** - CHE also continues to seek funds for FY 2007-08 to enable the agency to re-establish Academic Program Review, another mission critical function that CHE has not been able to support in recent years. Academic Program Review is a process whereby CHE coordinates the statewide review of academic offerings in disciplines to ensure quality and efficiency in the state's instructional programming. The reviews are conducted by outside review teams and primarily cover those disciplines (e.g., liberal arts and sciences) that do not have specialized accrediting entities. With the requested \$324,000, CHE will re-establish an annual cycle of program reviews that benefits the state by enabling program strengths and weaknesses to be identified and used for improving academic offerings, reducing duplication, and ensuring statewide needs are met. The requested funds will provide for an FTE to coordinate the review process and for consultant fees and costs to conduct two discipline reviews annually.

(3) **Strategic Goal/Action Plan (if applicable):** The programs under this priority address the Commission's goals to ensure effective and efficient delivery of services and to ensure quality and diversity of academic programs and educational services in South Carolina.

D. Budget Program Number and Name: Administration . 01010000

E. Agency Activity Number and Name: 279, CHE Administration

F. Detailed Justification for Funding

Justification for Funding Increase: The maintenance of CHE's centralized higher education data system is critical to the work of the Commission. The data collected and maintained are used in responding to federal, regional and state higher education reporting requirements and in policy development and recommendations. The data are frequently used to fill requests for information about higher education in the state and allow reference information for the public. As the State's coordinating board and resource for higher education information and policy work, it is imperative CHE's system keep pace with changing technologies. In order to ensure the most effective and efficient resources, CHE needs additional recurring funding in the amount of \$130,000 to enable the agency to move forward with plans to upgrade its data systems. Funds will enable the purchase of necessary software, hardware, and support continued maintenance costs and allow for planned system improvements including improved data accessibility and integration of the Palmetto Fellow scholarship application process with a planned transcript exchange program. Last year CHE requested and received much needed additional staff support for the data system and recurring funds requested again this year for technology support will enable the agency to meet continued demands on this state resource tool.

In addition to technology needs, CHE is requesting \$324,000 in recurring funds to re-establish Academic Program Review. The review of existing academic programs is a critical component of the Commission's statewide mission of ensuring quality and integrity of degree programs. The process serves to identify exemplary programs as well as programs in need of strengthening; to ensure appropriate program productivity and availability; and to provide a strategic planning device for determining present, and future, needs of specific discipline areas. The process also informs new program development, aids in identifying resources such as facilities and equipment, and provides a comparative analysis of the level of development and overall quality of programs as measured against programs external to the State. The evaluation process is both formative and summative. It involves the preparation of institutional self-studies; site visits conducted by external peer reviewers; a final report for each discipline area, and then site visits once every seven to eight years assuming this budget request is honored. Reviewers make recommendations for change, to place programs on probation with stipulations for improvement; or to terminate programs.

CHE needs the requested recurring funds as described above to move forward with this initiative to improve the agency's delivery of higher education services and ensure quality of academic programs. There are no existing agency funds or resources that can be used for this initiative given the recent reductions in funding and increased administrative workload. The 2005-06 Agency Accountability Report contains additional data in the business results section and further information in Section III, Category 4. The report will be submitted September 15 as required.

(2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*		1.0			1.0
(b) Personal Service		\$60,000			\$60,000
(c) Employer Contributions		\$15,000			\$15,000
Program/Case Services					
Pass-Through Funds					
Other Operating Expenses		\$379,000			\$379,000
Total	\$ 0	\$454,000	\$ 0	\$ 0	\$454,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State	\$1,812,669
Federal	\$
Other	\$

(4) Is this priority associated with a Capital Budget Priority? **N/A** If yes, state Capital Budget Priority Number and Project Name:

G. Detailed Justification for FTEs

(1) Justification for New FTEs

- (a) Justification: Recent budget cuts have left CHE unable to hire sufficient personnel to meet the need for re-establishing Academic Program Review as enumerated above. The funding of the FTE for academic program review will fund an FTE vacancy. The position will provide for appropriate staffing given workload increases of existing academic affair staffing and inability to further increase the workload of current staff. For example, the Academic Affairs staff is now required to staff the Research Centers for Economic Excellence Review Board for endowed chairs and Life Sciences Infrastructure Act projects as well as numerous EEDA projects and committees.

- (b) Future Impact on Operating Expenses or Facility Requirements: On-going funding for this position will be required to enable continued work in these mission critical areas of staffing for the Commission. Contingent on requested funding, it is not expected that the hiring of new staff for this program will impact operating expenses or facilities requirements.

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title: Academic Program Manage					
(a) Number of FTEs	1.00				1.00
(b) Personal Service	\$60,000				\$60,000
(c) Employer Contributions	\$15,000				\$15,000

(3) FTEs in Program Area per FY 2006-07 Appropriation Act:

State 24.70

Federal -

Other -

Agency-wide Vacant FTEs as of July 31, 2006: 12

% Vacant 31%

H. Other Comments:

A. Agency Section/Code/Name: H03 / South Carolina Commission on Higher Education

B. Priority No. 2 of 3

D. (1) Title: Ensuring Successful Implementation of the Education and Economic Development Act of 2005 (EEDA)

(2) Summary Description: In implementing the EEDA, the General Assembly charged the CHE to establish a committee comprised of the CHE Advisory Committee on Academic Programs (ACAP) and added membership from K-12 to make recommendations on transfer and articulation issues to ensure seamless educational pathways. The “Expanded ACAP” committee has been meeting and has found a need for statewide technology systems to ensure seamless educational pathways. The Committee recommended the implementation of statewide web-based transfer and articulation and course equivalency evaluation systems (software, hardware, licensing) and a statewide access portal system for students to access all information required to plan, apply and pay for college and enter the workforce. The EEDA Coordinating Council has also authorized and supported this initiative. To implement this important technology statewide, CHE is requesting funding in FY 2007-08 to provide for necessary technology systems. These funds will be supplemented with recurring funds appropriated to higher education for the EEDA that are now being redirected to meet identified EEDA needs given changes that have been made to initial EEDA programs as the legislation is implemented.

(3) Strategic Goal/Action Plan (if applicable): This priority addresses CHE’s goals to expand postsecondary educational opportunities for South Carolinians and to present the needs and develop support for appropriate funding of public colleges and universities and to address strategic issues in public and private higher education as they are identified

D. Budget Program Number and Name: 05480000

E. Agency Activity Number and Name: 1690, EEDA for CHE and Institutions

F. Detailed Justification for Funding:

(1) Justification for Funding Increase: With funding provided in 2006-07, CHE and higher education institutions continue to move forward to ensure the successful implementation of the EEDA. The Commission’s Executive Director is a member of the EEDA Coordinating and Oversight Council and CHE staff participate in subcommittee work of the Council that is on-going in implementing the EEDA. Most importantly, the Commission’s Academic Affairs Division staff has brought together the Committee mandated in the legislation (i.e., the Advisory Committee on Academic Programs with expanded membership to include K-12 education partners, “Expanded-ACAP”), to review and make recommendations regarding transfer and articulation issues to ensure seamless educational pathways. Through its work to date, the Expanded-ACAP Committee has identified statewide technology needs that will benefit students as they align their high school goals and curriculum with future plans and will enable electronic transfer and analysis of transcript information. The Expanded-ACAP Committee, with the support of the EEDA Coordinating Council, is requesting additional funds to purchase needed technology to implement a statewide transfer/articulation and course equivalency evaluation system (software, hardware, licensing) and a statewide portal for students to access all information required to plan, apply and pay for college and enter the workforce.

To implement this program, CHE anticipates Year 1 costs in the amount of \$1,715,000 and on-going costs \$900,000. To meet the anticipated Year 1 costs, \$720,000 in recurring FY 2006-07 EEDA funds for institutions are being redirected to this initiative given changes that have been made to initial EEDA programs as the legislation is implemented. As a result, the funding needed to implement the system in Year 1 is \$275,000 (\$1,440,000 in recurring, assuming the same in FY 2007-08 plus \$275,000 in recurring FY 2007-08 funds). In future years, the requested increased recurring funding along with existing recurring funds will enable ongoing support of the technology statewide.

(2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*		0.0			0.00
(b) Personal Service		\$0			\$ 0
(c) Employer Contributions		\$0			\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses		\$275,000			\$275,000
Total		\$275,000	\$ 0	\$ 0	\$275,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation: EEDA - CHE and Institutions
State \$1,408,000
Federal \$
Other \$

(4) Is this priority associated with a Capital Budget Priority? **N/A** If yes, state Capital Budget Priority Number and Project Name:

G. Detailed Justification for FTEs **N/A**

H. Other Comments: CHE also supports the FY 2007-08 requests for increased EEDA funding that the Department of Education has included in its budget plan.

A. Agency Section/Code/Name: H03 / South Carolina Commission on Higher Education

B. Priority No. 3 of 3

E. (1) Title: Ensuring Access to and Increased Enrollment in Higher Education

(2) Summary Description: CHE's third priority is to seek program funds to address statewide needs to increase the educational level of the state by ensuring the accessibility and affordability of higher education opportunities. CHE is seeking a total of \$1,527,250 in recurring funds for this initiative. The funds will be used to address the following:

First, CHE seeks continuation of \$600,000 in non-recurring funds that were provided in FY 2006-07 as state matching funds for SC's federal GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) grant. The GEAR UP program helps disadvantaged children, beginning in the middle grades, to prepare for and get on the pathway to achieve success in college. This program is designed to develop partnerships with businesses, middle schools, high schools, and higher education institutions to assist middle school students prepare for college. Building on research and proven practices, the GEAR UP program seventh graders and their families plan and prepare for college by offering comprehensive strategies including counseling, tutoring and mentoring to help students achieve in higher mathematics and other gateway college preparation courses and by offering scholarships as well as information about college and financial aid options. South Carolina's grant program is in the second of six years and is aimed at addressing early college preparedness and increased college enrollment for a cohort of students along the I-95 corridor.

Second, CHE continues to seek additional Access and Equity program funds to establish a statewide competitive grants initiative. CHE is requesting an increase of \$400,000 in recurring funds for the State's Access and Equity program for the purpose of establishing a statewide initiative, centered on increasing the number of underrepresented populations who enter into nursing and other healthcare programs. As we face workforce shortages in health care, particularly nursing, we need to strategically address known shortages such as the under-representation of racial and ethnic minorities and males. The requested funds will provide for the expansion of the existing Access and Equity Program to establish a statewide partnership of universities and colleges, whose goal is to build a more diverse healthcare workforce by helping to increase the number of underrepresented minority males in nursing/healthcare. In concert with the funding request, CHE requests that Proviso 5A.4 (or 5A.3 per the renumbered FY 2007-08 base) be amended to add language directing any new program funding toward this initiative.

Third, CHE seeks \$527,250 in recurring funds to cover increased costs of Southern Regional Education Board (SREB) programs. Last year, CHE received non-recurring funds to support increased SREB program costs and seeks \$527,250 to cover program costs again in FY 2007-08. These funds will cover the contract fee increases for students in specified degree programs not offered in South Carolina and the required increase in SREB membership dues for the State. The SREB's contract program offers students pursuing veterinary medicine and optometry degrees admission to other state institutions of higher learning at the same costs of in-state tuition

and at a reduced tuition rate for private institutions, given the absence of these programs in SC. Part of the increase results from an addition of a third veterinary school to the program.

(3) Strategic Goal/Action Plan (if applicable): The programs under this priority address the Commission's goals to ensure quality and diversity of academic programs and educational services in South Carolina, to ensure access to and quality of educational opportunity among underrepresented groups in higher education in South Carolina and to expand postsecondary educational opportunities for South Carolinians.

D. Budget Program Number and Name: Access & Equity. 01060000; GEAR UP. 05070000; Administration, 01010000; SREB Contract Professional Scholarships, 05010000.

E. Agency Activity Number and Name: 286 SREB Contractual Scholarships, 288 GEAR UP, 285 Access and Equity
279 CHE Administration

F. Detailed Justification for Funding

Justification for Funding Increase: CHE is seeking \$1,527,250 in recurring state general funds for this initiative that will enable CHE to address key needs and programs that provide support and services for students in regard to encouraging increased enrollment and ensuring accessible and affordable higher education opportunities. The following describes justification for each item of this initiative:

GEAR UP: The SC Commission on Higher Education is requesting that the additional \$600,000 in non-recurring funds that was provided to the GEAR UP Program in FY 2006-07 be continued in FY 2007-08 in order to fully match federal dollars. The non-recurring funding of \$600,000 coupled with recurring funding of \$600,000 that was appropriated for GEAR UP in 2006-07 enabled the full match for this 1:1 matching six-year program. Funds appropriated for the State GEAR UP are used for middle and high school partnership programs to reach disadvantaged middle school students to improve their preparation for college. The funds are used as a match to Federal GEAR Up funds (\$2,468,637 in each of six years) awarded to the State initially in FY 2006-07 and over the next five years. Targeted will be schools along the I-95 corridor in this second major federal GEAR UP award.

Access and Equity Statewide Initiative: Ensuring educational equity for all students and faculty in higher education is one of the primary functions of the Commission. Success in college should not be affected by a student's race. Minority enrollment should be at least proportional to the minority population in South Carolina and minority graduation rates should be comparable to the graduation rates of other students. The requested funds will improve the State's commitment to Access and Equity Programs by enabling increased numbers of under-represented populations, particularly minority males, to enter a critical need area in health care, nursing.

Southern Regional Education Board (SREB): The funding increase of \$527,250 requested for SREB programs provides for increased program fees as outlined by the SREB contract. Last year, CHE received \$269,000 non-recurring funding in addition to the \$2,361,755 in recurring dollars to enable the state to meet increased SREB obligations in FY 2006-07. The increase in funds requested for FY 2007-08 will enable full state participation in the programs including contracts-for-services in optometry and veterinary medicine, the tuition aid program,

Additional data and details for each of the aforementioned programs are found in the business section of the CHE's 2005-06 Accountability Report to be submitted September 15, 2006, as required.

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*		0.00			0.00
(b) Personal Service		\$0			\$0
(c) Employer Contributions		\$0			\$0
Program/Case Services		\$0			\$ 0
Pass-Through Funds		\$0			\$ 0
Other Operating Expenses		\$1,527,250			\$1,527,250
Total	\$ 0	\$1,527,250	\$0	\$0	\$1,527,250

* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.

State	\$3,968,962
Federal	\$4,514,621
Other	\$ -

G.	Detailed Justification for FTEs	N/A
H.	Other Comments:	None

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

I. 2% COST SAVINGS ASSESSMENT

A. Agency Section/Code/Name: **H03 / South Carolina Commission on Higher Education**

B. Agency Activity Number and Name:

CHE finds it is not possible at this time to identify further costs savings initiatives given the nature of the agency's total general funding and more importantly in light of existing agency needs to carry out core mission functions as enumerated in the FY 2007-08 budget request. It is noted CHE has been asked to identify \$1,823,809 in "cost savings initiatives" based on \$91,190,432 in total general funds. At a minimum, student scholarship programs should not be considered in identifying the 2% savings that the agency has been asked to identify. CHE's total recurring base of \$91,190,432 includes a majority of funds (or 85.2%) appropriated for the state's undergraduate student scholarship and aid programs. A total of \$77,356,373 of the \$77,710,129 in student scholarship/grant funds is for four programs (Palmetto Fellows, LIFE, Need Based Grants, and SREB programs) that are protected in legislation (See FY07 Part 1B Provisos 5A.10, 5A.13) from budget cuts.

Setting the scholarship programs aside, a total of \$13,480,303 remains and 2% of this total is \$269,606. These funds include \$3,829,447 for CHE administration, \$1,719,082 in Access and Equity and early awareness college programs and \$7,931,774 for flow-through programs for higher education. At this time, CHE does not find specific identifiable cost savings are warranted and an explanation of the effect of a 2% reduction across the programs excluding scholarships is explained below:

In regard to CHE administration, a 2% reduction or \$76,569 would mean the reduction of CHE personnel. Given the existing agency needs, the increased burden of such reduction would result in additional workload for existing staff. CHE finds it difficult to absorb such reductions at this point and cannot recommend further reductions at this time. Given past budget cuts, CHE has numerous vacant FTEs and workloads of existing staff are so heavy that turnover rates are high.

In regard to further reductions to the Access and Equity Program and college awareness and readiness programs, 2% totals \$34,382. CHE notes the Access and Equity program has been reduced in recent years and further reductions would continue to erode the effectiveness of institutional programs to encourage increased participation of underrepresented populations. In fact, as reflected in this document, CHE is requesting for FY 2007-08 increased funds for this program to address statewide needs in increasing underrepresented populations, particularly minority males in nursing. Currently, most of these programs at the institutions are ones that involve student scholarship support. The state funds for the college readiness programs (HEAP and GEAR UP), enable the state to meet matching requirements for accessing federal grant dollars for the GEAR UP program which is aimed at improving student awareness of and preparation for entering college. A reduction here would mean that federal funds are not fully leveraged, program goals would become more difficult to achieve, and the required federal match would be jeopardized. Also, as reflected herein, CHE is requesting for GEAR UP that nonrecurring funds provided in FY07 be continued in FY08 so that the program funding remains the same in the upcoming year.

In regard to the remaining flow through programs for higher education, a 2% reduction to these would mean a total of \$158,635. Many of these programs have requested needed program increases for FY 2007-08. CHE assumes these programs are meeting state needs and are appropriately supported. Of the funds in this category, approximately \$2.6 million provide for “cost savings” initiatives through collaborative higher educational offerings (Lowcountry Graduate Center and University Center of Greenville), \$4.8 million provides for matching programs, the majority of which are federal (EPSCoR, SCAMP, SCMEP), and the remaining \$500, 000 are recent initiatives of the General Assembly to take local projects that are to improve economic development through education outreach statewide.

C. Explanation of Cost Savings Initiative: *See explanation provided above in section B.*

D. Estimate of Savings: *See explanation provided above in section B.*

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): *See explanation provided above in section B.*

F. *See explanation provided above in section B.*

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF AGENCY ACTIVITIES

A. Agency Section/Code/Name: **H03 / South Carolina Commission on Higher Education**

B. Agency Activity Number and Name:

CHE in this section is asked to identify across the \$91,190,432 in programs, 10% of activities that are lower in agency priority. Although important projects, CHE has identified the following projects for reasons stated in Part C below: Youth Leadership Conference, SREB School of the Arts Program, and the Professor of the Year Program. These programs were selected among the CHE administrative activities and flow through funding as projects that at this time are among lower priority given the needs for higher education. The lower priority status is not intended to suggest the projects are not worthy of continued state support, merely that CHE is complying with the instructions.

C. Explanation of Lowest Priority Status:

Youth Leadership Conference: This item is a flow-through program to the Palmetto Project and receives \$50,000 in state general funds. This funding helps support a public-private partnership known as Youth Unity in SC. Project goals are to encourage efforts of high school and middle school students in addressing campus violence, bullying, student conflict and school alienation. Many of our colleges contribute both their facilities and expertise to project activities. The benefit to the program, however, is for high school and middle school students. While this program may be important in assisting students in developing as leaders, given the pressing needs of higher education at this time and given that the small amount of state funding may be able to be replaced through private means, the project has been selected as a lower priority item.

SREB School of the Arts Program – This program is funded with \$10,274 in state general funds and CHE makes up the prior years reductions of approximately \$5000 from its operating budget for a total of just over \$15,000. The program aids talented SC high school students who are interested in pursuing a conservatory-based high school arts education. Approximately three to seven South Carolinians participate annually. The available state dollars for this program are used to provide reduced tuition for South Carolinians who attend the NC School of the Arts located in Winston Salem, NC. This school is different in nature to the Greenville School of Arts as it focuses on conservatory based training of future professionals. While the program is of benefit to several high school students pursuing careers in the arts, it has been selected as a lower priority item given pressing needs for higher education at this time.

Professor of the Year – This legislated program (59-104-220) is funded with \$14,850 in state general funds and provides a forum to recognize and reward the state's talented higher education faculty. The application, review and award process enables the state to identify and showcase methods of talented faculty which in turn provides best practice examples for faculty. While this program is important in

its purpose, given the current pressing needs for higher education and the small size of this program, it has been selected among the lower priority activities for the agency.

D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	\$75,124	0	0	0	0	\$75,124
Total	\$75,124	\$ 0	\$ 0	\$ 0	\$ 0	\$75,124

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): See explanations provided in section C. above.

F.

Summary of Priority Assessment of Activities	General	Federal	Supplemental	Capital Reserve	Other	Total	FTEs
Activity Number & Name: 293 Youth Leadership Conference	\$50,000	0	0	0	0	\$50,000	0
Activity Number & Name: 290 Arts Program	\$10,274	0	0	0	0	\$10,274	0
Activity Number & Name: 296 Professor of Year	\$14,850	0	0	0	0	\$14,850	0
TOTAL OF LOWEST PRIORITIES	\$75,124	\$ 0	\$ 0	\$ 0	\$ 0	\$75,124	0.00

**Please refer to explanation above in part c above regarding these items. The listing of the funds involved as requested is not an endorsement of the agency that these programs should be curtailed. The programs have only been listed among the identified lower agency priorities given current existing needs of CHE in meeting its mission and in advocacy role for the mission of higher education.*